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Proposal:	Interagency Guidance on Commercial Real Estate Lending
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Comments:
I agree with the 7 points that the ABA outlined below: 1. The new definition of concentration in CRE combines several different types of CRE lending without proper effort to distinguish the variations in risk—variations due to size, structure, geography, and other elements in the composition of a bank's portfolio. This approach finds concentrations where they do not really exist. Too many banks will be deemed to have a high risk concentration in CRE. 2. Bankers will need to invest significant time, money, and effort to counter the assumption that they have an unsafe "concentration" of real estate loans. 3. The Guidance strongly suggests that a bank deemed under the new measures to have a concentration in CRE should be required to hold significantly higher levels of capital without a genuine demonstration of higher risk. 4. Similarly, the Guidance suggests that banks with large portfolios of CRE should have significantly higher reserves for loan losses. Such increased reserves should follow only if a portfolio in fact presents a higher level of risk. 5. Community banks will be particularly hard hit by this Guidance, facing higher costs than their competitors in making commercial real estate loans, an important part of the business of community banks. 6. Perversely, the Guidance could result in banks in some cases refusing real estate collateral for loans in order to reduce CRE concentrations. 7. The inevitable consequence of the Guidance would be to reduce community banks' ability to fund CRE in their communities. Additionally I would further suggest: I have not seen where the regulatory agencies have provided empirical evidence for the need for heightened scrutiny in this area of lending. As presently defined, all commercial loans secured with any real estate are considered CRE, however there is a wide range of risk with no consideration given for mitigating factors. I would suggest there is different risk for an uncovered SPEC commercial construction loan to be repaid with potential rents and a yet to be defined long-term take-out loan versus an operating line of credit with real estate taken as collateral versus an SBA 504 loan, hotels, recreational property, single-family residential home construction, agricultural lending, etc. The proposed guidance greatly oversimplifies the CRE sector by treating "commercial real estate" as a single, monolithic market sector when, in fact, it consists of a diverse range of numerous sub-markets that are driven by a wide array of varying economic factors and sources of repayment. The economic cycles, including location, of each sub-market vary

tremendously. All CRE loans are not collateral dependent as a the sole source of repayment and the threshold levels of CRE concentrations which would necessitate corrective measures are unrealistically low. There doesn't seem to be any credit given to actual loss history. Blanket guidance is not the answer Each bank needs to be evaluated separately. Regulators should impose their existing supervisory and enforcement tools to address risky situations at those specific banks where warranted, rather than impose this new program on the entire industry. There are a variety of methods and tools banks may employ to mitigate these risks. Thank you